

Patricia M. French  
Senior Attorney



300 Friberg Parkway  
Westborough, Massachusetts 01581  
(508) 836-7394  
(508) 836-7039 (facsimile)  
[pfrench@nisource.com](mailto:pfrench@nisource.com)

August 23, 2006

BY OVERNIGHT DELIVERY AND E-FILE

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 06-31

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find Bay State's responses to the following Information Requests:

USW-3-6	USW-3-7	USW-3-8	USW-3-9	USW-3-10
USW-3-11	USW-3-12	USW-3-13	USW-3-14	USW-3-16
USW-3-17	USW-3-18	USW-3-19	USW-3-20	

The response to USW-3-15 will be filed as soon as it is available.

CONFIDENTIAL documents which have been referenced in the responses are provided in single copy under seal to the Hearing Officer accompanied by a Motion for Protective Treatment. All other parties may seek access to this material upon execution of a mutually agreeable non-disclosure agreement.

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Caroline Bulger (DTE) Hearing Officer  
Paul Osborne (DTE)  
A. John Sullivan (DTE)  
Alexander Cochis, Assistant Attorney General (4 copies)  
Charles Harak, Esq. (UWUA)  
Nicole Horberg Decter, Esq. (USW)  
Service List

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE  
THIRD SET OF INFORMATION REQUESTS FROM THE USW  
D.T.E. 06-31

Date: August 23, 2006

Responsible: Stephen H. Bryant, President

USW 3-6: Referring to BSG's response to USW 1-5 and USW 1-9, identify every Bay State Gas and NCSC employee or agent, as well as all NiSource officers or agents, responsible for the decision to lift the December 2001 policy to "to require additional approvals before vacant positions could be filled" at BSG on the date identified in your response to USW 3-5. Provide each individual's job title at that time, his employer in 2001.

RESPONSE: Please see Bay State's response to USW 3-5.

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Date: August 23, 2006

Responsible: Stephen H. Bryant, President

USW 3-7: Please state whether the December 2001 decision “to require additional approvals before vacant positions could be filled” applied to other NiSource affiliates, or only to BSG. Additionally, state when the policy to “to require additional approvals before vacant positions could be filled” at other NiSource affiliates was officially lifted.

RESPONSE: Please see Bay State’s response to USW 3-5.

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Date: August 23, 2006

Responsible: Stephen H. Bryant, President

USW 3-8: Referring to BSG's response to USW 1-5 and USW 1-10, provide all documents regarding, relating to, or informing the decision to lift the policy initiated in December 2001 "to require additional approvals before vacant positions could be filled" on the date specified in your response to USW 3-5.

RESPONSE: Please see Bay State's response to USW 3-5.

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Date: August 23, 2006

Responsible: Stephen H. Bryant, President

USW 3-9: Referring to BSG's response to USW 1-11, for January 1, 2003 to date, identify every BSG and NCSC employee or agent, and/or NiSource officer or agent, with whom Mr. Bryant consulted in order to determine when BSG should pursue a consumer rate increase with the Department of Telecommunications and Energy, e.g., DTE -5-27.

RESPONSE: Objection. Bay State objects to this question insofar as the response may seek information subject to the attorney-client privilege and may consist of information and other workproduct gathered or created in anticipation of litigation. Moreover, the question is not calculated to lead to the discovery of evidence that is relevant to any material issue in the proceeding.

Notwithstanding this objection, but rather specifically maintaining it, Mr. Bryant sought information from a number of individuals within and outside the organization to be certain that he had a clear understanding of Bay State's current and expected future financial and operational situations. That said, the decision to seek a base rate change for Bay State was made by Mr. Bryant.

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Date: August 23, 2006

Responsible: Stephen H. Bryant, President, Bay State Gas Company  
Sherry Gavito, Vice President, Governance NCSC  
As to objection: Legal Counsel

USW 3-10: For each of the individuals identified in BSG's response to USW 1-16, Table USW 1-16(a), provide all documents informing, regarding, or relating to each listed individual's evaluation of whether NCSC should utilize IBM for customer service, billing, sales, and other functions. This includes, but is not limited to, all reports, memoranda, and e-mails regarding the same.

RESPONSE: Objection. USW 3-10 is overbroad and constitutes a fishing expedition. The due diligence process that was undertaken by the listed officers, as well as the other managers and directors and agents of NiSource, was extensive, as set forth below. "All documents" in the hands of those individuals listed in USW 1-16 would only consist of a part of the substantive information reviewed and relied upon for decision-making purposes and would not justify the full recommendation made by those officers as part of the Executive Council. An expansion of the request to include the documents informing, regarding or relating to the evaluation of those managers, consultants, agents, attorneys and other advisors who contributed to the knowledge-base of the individuals listed in USW-1-16 would be too burdensome to locate and gather, and has, at most, questionable relevance to the proceeding. Finally, such materials may contain information that constitutes a trade secret, constitutes a business secret and is confidential to both IBM and/or NiSource. Further, much of any such information is likely to relate to areas that are not subject to this investigation, such as finance and accounting services, human resources and information technology. In addition, such materials may include attorney mental impressions and attorney workproduct, as well as information that is protected under the attorney client privilege.

Notwithstanding this objection, but rather specifically maintaining it, as stated, the process undertaken was extensive. NiSource, on behalf of its affiliates, began reviewing the feasibility of obtaining a business process outsourcing partner in the fall of 2004. NiSource believed a plateau had been reached whereby, in spite of the many business process changes that had been implemented between 2000 and 2004, it was unable to transform its organization any further to reduce costs for capital and to

increase administrative efficiency without implementing a large, substantial effort.

In undertaking an initial assessment of the potential savings to be derived from outsourcing certain business processes, managers, agents and consultants from NiSource and on NiSource's behalf interviewed a number of a outsourcing consulting groups and selected one to assist in assessing further the respective areas considered for outsourcing. The group was to develop a Request For Proposal ("RFP") on various areas of the business that would be suitable for third-party provision, to conduct due diligence with the respondents to the RFP, help develop a business case model, and to create, with the assistance of outside support, an agreement which would outsource work to the chosen respondent. The outsourcing agreement would ensure that the respondent was able to protect quality of service, transform various diverse areas into one common area on the same technological system, and all the while obtain savings beyond the cost of transforming the company to the new business model.

The search process ran from October 2004 through April 2005. NiSource sent the RFP to five firms capable of provisioning outsourced services, namely: ACS/ SAIC, IBM, Accenture, Hewlett Packard ("HP"), and Cap Gemini. Based on its detailed review of the responses received, including the quality of the response, the proposed savings that were detailed and other cost and non-cost factors, the NiSource team "down-selected" to three firms: IBM, Accenture, and HP. Although HP was chosen as one of the final three, it rescinded its participation in the process before the NiSource team's due diligence began.

Both IBM and Accenture were given an agreed-to period in which to perform due diligence on NiSource, its affiliates, and their required services. Both IBM and Accenture had teams of approximately 50 to 75 people performing due diligence on potential areas of NiSource's and its affiliates outsourced processes. The NiSource team then performed extensive due diligence on both IBM and Accenture and at least two to four people per area of business process (for example, including but not limited to, finance and accounting, human resource, information technology, call center management, etc.) physically visited the various geographic sites where it was proposed that work would be performed. During these visits, the teams conducted visual examinations, interviewed on-site management, reviewed on-site materials for training and compliance, and made further requests for substantiating data. The sites visited by NiSource teams were located in Canada, India, the United Kingdom, Costa Rica, Brazil, Oklahoma and New York State. Based on this extensive investigation and concurrent and subsequent analysis, the NiSource team recommended the selection of IBM as the party to pursue for a final negotiated agreement.

The negotiation process by the NiSource team was rigorous with IBM. It lasted approximately 9 weeks, during which time the entire management services agreement ("MSA") and its thousands of pages of corresponding exhibits were developed out of intense negotiations between the parties. Negotiations were undertaken with the assistance and advice of knowledgeable and experienced outsourcing counsel. During that time, information regarding the progress of the negotiations and key elements of negotiation were relayed to the individuals listed in USW 1-16. Ultimately the business process outsourcing agreement with IBM was approved by the NiSource Executive Council after full advice and understanding.

See CONFIDENTIAL Attachment USW 3-10.

CONFIDENTIAL documents are provided in single copy under seal to the Hearing Officer accompanied by a Motion for Protective Treatment. All other parties may seek access to this material upon execution of a mutually agreeable non-disclosure agreement.



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RESPONSE OF BAY STATE GAS COMPANY TO THE  
THIRD SET OF INFORMATION REQUESTS FROM THE USW  
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Date: August 23, 2006

Responsible: Stephen H. Bryant, President

USW 3-11: To the extent not provided in BSG's response to USW 3-10, provide all documents informing, regarding, or relating to Mr. Bryant's evaluation of whether NCSC should utilize IBM for customer service, billing, sales and other functions prior to June 21, 2005.

RESPONSE: Mr. Bryant's principal focus regarding the potential use of IBM, or any of the other potential parties to an outsourcing agreement that would provide services to Bay State, was on the service quality metrics that would be included in the ultimate contract for service provision. Mr. Bryant has not retained any documents associated with this evaluation.

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Date: August 23, 2006

Responsible: Stephen H. Bryant, President

USW 3-12: To the extent not provided in BSG's response to USW 3-10, provide all documents informing, regarding, or relating to Mr. Bryant's analysis of whether NCSC should utilize IBM for customer service, billing, sales and other functions after June 21, 2005.

RESPONSE: Please see Bay State's response to USW 3-11.

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Date: August 23, 2006

Responsible: Stephen H. Bryant, President  
Sherry Gavito, Vice President, Governance NCSC  
As to objection: Legal Counsel

USW 3-13: For each of the individuals identified in BSG's response to USW 1-16, Table USW 1-16(b), provide all documents informing, regarding, or relating to each listed individual's determination of whether NCSC should utilize IBM for customer service, billing, sales, and other functions. This includes, but is not limited to, all reports, memoranda, and e-mails regarding the same.

RESPONSE: Objection. USW 3-13 is overbroad and constitutes a fishing expedition. The due diligence process that was undertaken by the listed officers, as well as the other managers and directors and agents of NiSource, was extensive, as set forth in Bay State's response to USW 3-10. "All documents" in the hands of those individuals listed in USW 1-16 would only consist of a part of the substantive information reviewed and relied upon for decision-making purposes and would not justify the full recommendation made by those officers. An expansion of the request to include the documents informing, regarding or relating to the evaluation of those managers, consultants, agents, attorneys and other advisors who contributed to the knowledge-base of the individuals listed in USW-1-16 would be too burdensome to locate and gather, and has, at most, questionable relevance to the proceeding. Finally, such materials may contain information that constitutes a trade secret, constitutes a business secret and is confidential to both IBM and/or NiSource. Further, much of any such information is likely to relate to areas that are not subject to this investigation, such as finance and accounting services, human resources and information technology. In addition, such materials may include attorney mental impressions and attorney workproduct, as well as information that is protected under the attorney client privilege.

Notwithstanding this objection, but rather specifically maintaining it, please see Bay State's response to USW 3-10.

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Date: August 23, 2006

Responsible: Stephen H. Bryant, President  
Sherry Gavito, Vice President, Governance NCSC  
As to objection: Legal Counsel

USW 3-14: For each of the individuals identified in BSG's response to USW 1-17, provide all documents within the possession, custody or control of BSG or NCSC informing, regarding, or relating to each listed individuals evaluation of whether BSG should utilize IBM and its second-tier vendors for customer service, billing, sales, and other customer facing functions under the June 2005 IBM-NCSC Agreement. This includes, but is not limited to, all reports, memoranda, and e-mails regarding the same.

RESPONSE: Objection. USW 3-14 is overbroad and constitutes a fishing expedition. The due diligence process that was undertaken by the listed officers, as well as the other managers and directors and agents of NiSource, was extensive, as set forth in Bay State's response to USW 3-10. "All documents" in the hands of those individuals listed in USW 1-17 would only consist of a part of the substantive information reviewed and relied upon for decision-making purposes and would not justify the full recommendation made by those officers. An expansion of the request to include the documents informing, regarding or relating to the evaluation of those managers, consultants, agents, attorneys and other advisors who contributed to the knowledge-base of the individuals listed in USW-1-17 would be too burdensome to locate and gather, and has, at most, questionable relevance to the proceeding. Finally, such materials may contain information that constitutes a trade secret, constitutes a business secret and is confidential to both IBM and/or NiSource. Further, much of any such information is likely to relate to areas that are not subject to this investigation, such as finance and accounting services, human resources and information technology. In addition, such materials may include attorney mental impressions and attorney workproduct, as well as information that is protected under the attorney client privilege.

Notwithstanding this objection, but rather specifically maintaining it, please see Bay State's response to USW 3-10.

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Date: August 23, 2006

Responsible: Stephen H. Bryant, President  
Sherry Gavito, Vice President, Governance NCSC  
As to objection: Legal Counsel

USW 3-16: Referring to BSG's response to USW 1-19, provide all documents within the control of NiSource, NCSC, and/or BSG relating to or regarding IBM's presentation "of information about its global resource call centers," including, but not limited to, any documentation of IBM's presentation regarding Vertex as an administrator of call centers.

RESPONSE: Objection. This question seeks information regarding the affairs of non-jurisdictional companies that is irrelevant to this proceeding.

Notwithstanding this objection, but rather specifically maintaining it, Bay State will state that NCSC gathered information related to Vertex's ability to be an administrator of call centers during the RFP process and NCSC's due diligence process as outlined in USW 3-10. Certain information that was gathered about Vertex and its capabilities during the RFP and due diligence process is contained in CONFIDENTIAL Attachment USW 3-10, CONFIDENTIAL Attachment USW 3-13 and supplemental information is attached as CONFIDENTIAL Attachment USW 3-16 (A) through (M).

The CONFIDENTIAL documents are provided in single copy under seal to the Hearing Officer accompanied by a Motion for Protective Treatment. All other parties may seek access to this material upon execution of a mutually agreeable non-disclosure agreement.

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RESPONSE OF BAY STATE GAS COMPANY TO THE  
THIRD SET OF INFORMATION REQUESTS FROM THE USW  
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Date: August 23, 2006

Responsible: Stephen H. Bryant, President  
Sherry Gavito, Vice President, Governance NCSC  
As to objection: Legal Counsel

USW 3-17: Referring to BSG's response to USW 1-19, provide all requests made by BSG, NCSC, and/or any agent of NiSource, NCSC and/or BSG, requesting information regarding the IBM's and Vertex's performance administering call centers under agreements with other companies.

RESPONSE: Objection. This question seeks information regarding the affairs of affiliated and non-affiliated non-jurisdictional companies that is irrelevant to this proceeding and may be business or trade proprietary to third parties. Moreover, the question is a fishing expedition.

Notwithstanding this objection, but rather specifically maintaining it, information obtained by NCSC related to Vertex's performance in administering call centers under agreements with other companies is attached as CONFIDENTIAL Attachment USW 3-17 (A) through (H). Please also see Bay State's response to USW 3-10 with regard to the due diligence undertaken by NCSC in evaluating IBM's ability to perform the services sought under the RFP issued by NiSource.

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Date: August 23, 2006

Responsible: Stephen H. Bryant, President  
As to objection: Legal Counsel

USW 3-18: Referring to BSG's response to USW 1-20, provide all documents, including, but not limited to internal memoranda, reports, and analyses, relating to or regarding IBM's performance of information technology services for NCSC and NiSource affiliates under the June 2005 NCSC-IBM Agreement.

RESPONSE: Objection. The question is irrelevant to this proceeding where Bay State's service quality on behalf of its customers and where the relationship between the jurisdictional company, Bay State, and its Parent, NiSource, is in issue. How Bay State addresses IT and payroll issues with any outsourced entity is irrelevant to customer service under G.L. c. 164, sec. 1E. Moreover, the request is a fishing expedition into the affairs of non-jurisdictional companies that have no impact on Bay State's provision of service to its customers.

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Date: August 23, 2006

Responsible: Stephen H. Bryant, President  
As to objection: Legal Counsel

USW 3-19: Referring to BSG's response to USW 1-27, for each of individuals identified in Table USW-1-27, provide all documents received or authored by the same relating to or regarding any inquiries into service quality indicator deficiencies or consumer complaints by state regulatory agencies after July 1, 2005.

RESPONSE: Objection. This question appears to seek information regarding the affairs of non-jurisdictional companies that is irrelevant to this proceeding. Moreover, the question is a fishing expedition.

Notwithstanding this objection, but rather specifically maintaining it, the individuals identified in Table USW-1-27 have not authored or received any documents relating to or regarding any inquiries into consumer complaints and/or service quality indicator deficiencies by any state regulatory agencies after July 1, 2005.



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Date: August 23, 2006

Responsible: Stephen H. Bryant, President  
As to objection: Legal Counsel

USW 3-20: Referring to BSG's response to USW 1-28, provide all documents received or sent by Mr. Bryant addressing IBM's performance of information technology and payroll functions pursuant to the June 2005 IBM-NiSource Agreement as of July 1, 2005.

RESPONSE: Objection. The question is irrelevant to this proceeding where Bay State's service quality on behalf of its customers and where the relationship between the jurisdictional company, Bay State, and its Parent, NiSource, is in issue. How Bay State addresses IT and payroll issues with any outsourced entity is irrelevant to customer service under G.L. c. 164, sec. 1E. Moreover, the request is a fishing expedition into the affairs of non-jurisdictional companies that have no impact on Bay State's provision of service to its customers.